

	The Technion -Israel Institute of Technology Procedures	Procedure No.: 03-0201 Effective from: August 10 th 2017 Edition: 1 Date of Last Update: Page 1 of 3
Depreciation Entry Policy - The Technion and the Technion Research and Development Foundation Ltd.		

1. **Background**

Recently, Standard No. 9 of the Israel Accounting Standards Board has been published, which is applicable to Institutes of Higher Education, and includes the accounting principles and financial reporting which are applicable to these institutions. In the framework of implementing the provisions of the Standard, the Technion is required to enter fixed assets in its financial statements and to depreciate same according to annual depreciation. Consequently, there is a need to define the implementation policy from the aspect of depreciation, both at the Technion and at the Technion Research and Development Foundation Ltd.

2. **Objectives**

This purpose of this procedure is to establish the accounting policy for depreciation of fixed assets.

3. **Definitions**

3.1 **A tangible asset**- A tangible asset which complies with all of the following criteria:

3.1.1 Being held by the Technion (the "Technion") and the Technion Research and Development Foundation Ltd. (the "Foundation"), for one or more of the following causes: production, conduct of research, teaching, supply of goods or services, leasing out to other entities, administrative needs.

3.1.2 Expected to be used for more than one reporting year.

3.1.3 Is not designed to be sold during the regular course of operations.

3.1.4 Constitutes an essential item, the cost of which exceeds the threshold requirement as established under the depreciation list, included under Appendix No. A (hereinafter: Depreciation Table).

3.2 **Fixed assets category** – A group of fixed asset items of either a similar essence or use, within the operations of the Technion/the Foundation.

3.3 **Cost** – The sum of cash or paid cash equivalents, or the fair value of any other recompense expended upon either the purchase or establishment of the asset.

The cost of a fixed asset item also includes costs, which can be directly attributed to bringing the asset to a state where it can be operated for its intended use.

	<p style="text-align: center;">The Technion -Israel Institute of Technology Procedures</p>	Procedure No.: 03-0201 Effective from: August 10 th 2017 Edition: 1 Date of Last Update: Page 1 of 3
<p style="text-align: center;">Depreciation Entry Policy - The Technion and the Technion Research and Development Foundation Ltd.</p>		

- 3.4 Depreciation – The method of attributing the depreciable sum of the asset, along the period of its useful life.
- 3.5 Duration of useful life – The period of time during which the asset is expected to serve the Technion/the Foundation, or the expected benefit derived from the asset by the Technion/the Foundation.
- 3.6 The Depreciation Committee – A committee which will be established and will operate independently in the Technion and the Technion Research and Development Foundation Ltd.

4. Authority and Responsibility

- 4.1 The Depreciation Committee is authorized to decide on a different calculation of depreciation with respect to either specific equipment or any other type of fixed asset.
- 4.2 The Depreciation Committee is responsible for keeping this procedure up to date, to the extent required.

5. Method/Essence

5.1 Entry

5.1.1 The asset will be ordered in accordance with the procedure and will be entered at the Equipment Department, in accordance with the rules established under the Equipment Entry and Control Procedure No. 08-0212.

5.1.2 The Accounting Unit at the Technion/the Foundation will be responsible for the entry of fixed assets items pertaining to the category of fixed assets – that is: land, buildings and improvements in the leased property, equipment and instruments as detailed under the table included in Appendix A.

5.2 Measurement

The basis for measuring fixed assets in the books of the Technion/the Foundation will be the cost of purchase, including the accompanying costs which can be specifically attributed to the purchased asset (transportation costs, installation, etc.). **The commencement date for depreciation will be that which appears on the invoice of the equipment supplier.**

5.3 The depreciation method

	The Technion -Israel Institute of Technology Procedures	Procedure No.: 03-0201 Effective from: August 10 th 2017 Edition: 1 Date of Last Update: Page 1 of 3
Depreciation Entry Policy - The Technion and the Technion Research and Development Foundation Ltd.		

5.3.1 A fixed asset will be depreciated by the straight-line method: every year a pro-rata and equal sum of the asset will be depreciated, in accordance with the depreciation rates established in the depreciation table (see Appendix A). The pro-rata amount of the depreciable sum attributed every year will be entered as a depreciation expense for the same year, against accumulated depreciation under a balance sheet item.

5.3.2 in cases where the Depreciation Committee will reach the conclusion that the straight-line depreciation method or the indicated depreciation period do not reflect either the consumption pattern of economic benefits or the service potential of the asset, the Committee may authorize either the use of another depreciation method, or the expensing of the depreciation along a period which is different than the one indicated in the depreciation table.

5.4 Disposal of fixed assets

5.4.1 Fixed assets will be removed from the financial statements, upon the disposition of the asset, by way of sale, scrapping or destruction.

5.4.2 The Director of the Equipment Department will submit to the comptroller of the Technion/Foundation, within 60 days from the end of the report year (30.9) – subject to the proper attribution of the equipment to the appropriate organization – a summary report with respect to equipment that has either been scrapped from the inventory or sold during the course of the year (in accordance with the “Handling of Excess Equipment Procedure”, No. 08-0204) and the value of which, upon its purchase, exceeded NIS 50,000. Information with respect to the number of the purchase order in the operational system as well as the purchase date will be provided for each equipment record.

	The Technion -Israel Institute of Technology Procedures	Procedure No.: 03-0201 Effective from: August 10 th 2017 Edition: 1 Date of Last Update: Page 1 of 3
Depreciation Entry Policy - The Technion and the Technion Research and Development Foundation Ltd.		

5.5 The Depreciation Committee

5.5.1 The composition of the Committee will be determined in accordance with the organization where the asset was purchased, i.e. the Technion/the Foundation.

5.5.1.1 The Committee members at the Technion will be the Directors of the Accounting and Budgets Department. Another professional staff member can be recruited, if required.

5.5.1.2 The Committee members of the Foundation will be the Deputy Director of Finance, the Foundation's comptroller, the Director of the Research Authority and another professional staff member, if required.

5.5.2 The Committee will inspect this Procedure and will keep it up-to-date, to the extent required.

5.5.3 The Committee may, whether upon request or by its own initiative, decide on a different depreciation calculation with respect to specific equipment or any other type of fixed assets.

6. Application and Validity

6.1 This Procedure is effective as of its publication date.

6.2 This Procedure applies to both the Technion and the Technion Research and Development Foundation Ltd.

Appendices

A. Assets groups, categories and depreciation percentages.

Matanyahu Engelman
 Executive Vice President and Director General

	The Technion -Israel Institute of Technology Procedures	Procedure No.: 03-0201 Effective from: August 10 th 2017 Edition: 1 Date of Last Update: Page 1 of 3
	Depreciation Entry Policy - The Technion and the Technion Research and Development Foundation Ltd.	

Appendix A – Assets Groups, Categories and Depreciation Percentages

The Item	Details	Materiality Threshold in NIS	Percentage of Annual Depreciation	
Land				
Buildings	New buildings at a cost exceeding NIS 50 million	Construction	2.0%	
		Infrastructure systems (air conditioning, electricity, lifts) and furniture	7.0%	
	New buildings at a cost less than NIS 50 million and improvements in existing buildings		1,000,000	3.5%
	Laboratory buildings		500,000	5.5%
Improvements in leased property	Leased from the Technion – in accordance with the principles for the depreciation of the Technion buildings		1,000,000 3.5%	
	Leased outside of the Technion		Will be depreciated in accordance with the years of the lease agreement, including extension options.	
Equipment and instruments	Equipment and instruments purchased in the framework of the Technion, for teaching activities and/or for central labs and/or centralized research institutes		50,000 10.0%	
	Equipment and instruments purchased in the		50,000 10.0%	

	<p align="center">The Technion -Israel Institute of Technology Procedures</p>	<p>Procedure No.: 03-0201 Effective from: August 10th 2017</p>
<p align="center">Depreciation Entry Policy - The Technion and the Technion Research and Development Foundation Ltd.</p>		<p>Edition: 1 Date of Last Update: Page 1 of 3</p>

	framework of the Foundation, or for central labs and/or centralized research institutes		
	Equipment and instruments purchased in the framework of the Technion, as part of establishing a research lab for a new member of the staff	50,000	15.0%
	Equipment and instruments purchased in the framework of the Foundation budgets, for research purposes	50,000	33.0%
Computers and peripheral equipment	Hardware and software at the Technion and the Foundation for research and/or teaching purposes	50,000	33.0%
Vehicles			15.00%

* Equipment/building/computers entered under the Technion's current budget – that are not entered as an asset.